

The Honorable James L. Robart

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

CLOANTO CORPORATION

Plaintiff,

- against -

HYPERION ENTERTAINMENT C.V.B.A.,

Defendant.

Civil Action No.: 2:18-cv-00535-JLR

**PLAINTIFF'S OPPOSITION TO
DEFENDANT'S MOTION TO
CONSOLIDATE**

**Note on Motion Calendar:
July 27, 2018**

Plaintiff Cloanto Corporation ("Cloanto"), by its attorneys, hereby opposes the Motion to Consolidate filed by Defendant Hyperion Entertainment, C.V.B.A. ("Hyperion"). In that Motion, Hyperion "suggests" that this case should be consolidated with a later-filed case brought by Hyperion, styled *Hyperion Entertainment C.V.B.A., vs ITEC, LLC, Amiga, Inc., Amino Development Corporation, and Cloanto Corporation*, No. 18-cv-00381. (ECF No. 9-4; hereinafter the "Hyperion Action"), which is pending before the Hon. Ricardo S. Martinez ("Judge Martinez").

1 **I. The Hyperion Action should, if at all, be consolidated in this Court, as the instant**
2 **action is the one that was first-filed.**

3 The instant action was initiated by the filing of the Complaint (ECF No. 1) on December
4 14, 2017, in the United States District Court, Northern District of New York. On February 9,
5 2018, Hyperion agreed to waive service of summons in exchange for responding under Rule 12
6 within 90 days from the date of service. (ECF No. 6.) On March 14, 2018, the last day on which
7 an answer or motion could be served, Hyperion (a) filed a motion to dismiss, transfer or stay in
8 the Northern District of New York (ECF No. 9 through 9-04), and (b) filed the complaint in the
9 Hyperion Action.
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11 Faced with the possibility of lengthy motion practice in the Northern District of New
12 York over jurisdictional issues, Cloanto, whose principal resides in Italy, chose not to oppose
13 transfer to the Western District of Washington, as that forum is no less convenient for Cloanto
14 than the Northern District of New York. Cloanto filed its notice of non-opposition on April 3,
15 2018, and this case was duly transferred to this Court. On May 25, 2018, with no answer yet filed
16 by Hyperion, and in light of various changed circumstances, Cloanto filed the First Amended
17 Complaint (ECF No. 29).
18

19 On June 12, 2018, on joint motion from the parties, the Court extended the time for
20 Hyperion to respond in this action until July 6, 2018. On July 6, 2018 Hyperion filed an answer
21 (ECF No. 34) to the Complaint (ECF No. 1), and on July 20, 2018 Hyperion filed an answer
22 (ECF No. 37) to the First Amended Complaint (ECF No. 29).
23

24 The First Amended Complaint in this case alleges causes of action relating to: (1) breach
25 of contract arising out of various violations by Hyperion of a 2009 Settlement Agreement (the
26 “Settlement Agreement”), which Cloanto has the right to enforce against Hyperion as an
“Acquirer” (as defined under the Settlement Agreement) of certain intellectual property;

1 (2) copyright infringement; (3) common law trademark infringement; (4) unfair competition;
2 (5) an order directing the United States Patent and Trademark Office to deny Opposition No.
3 91237628, brought by Hyperion against Cloanto on Cloanto's intent-to-use application for the
4 mark, AMIGA; and (6) an order declaring that Defendant is not the rightful owner of, and has no
5 right to register, the marks AMIGA ONE or AMOGA OS, or the so-called Boing Ball Mark.
6

7 As to Cloanto, the complaint in the Hyperion Action is an action for declaratory relief
8 that essentially mirrors Cloanto's Complaint.¹ The rest of the First Amended Complaint in the
9 Hyperion Action consists of allegations of breach of contract against Itec, LLC, Amiga, Inc., and
10 Amino Development Corporation (the "Amiga Parties") about which more will be said below.
11

12 Generally, the first-to-file rule is invoked when actions are pending in different district
13 courts. However, courts in the Ninth Circuit have applied it "equally to instances where two or
14 more cases are filed in the same district." *Keen v. Omni Limousine*, 2016 U.S. Dist. LEXIS
15 160311 *5, 2016 WL 6828199 (D. Nev., Nov. 18, 2016). As observed by the court in *Keen*,
16 citing *Wallerstein v. Dole Fresh Vegetables, Inc.*, 967 F.Supp.2d 1289, 1294 (N.D. Cal. 2013),
17 the "first-to-file rule simply requires a chronology of the actions."
18

19 The proper procedure would be a dismissal of the Hyperion Complaint as to Cloanto.
20 "When two actions are functionally the same, except the plaintiff in one action is the defendant
21 in the other and vice versa, and both actions are pending in the same district court ... [t]he first-
22 to-file rule provides a reasonable means to determine which action should be dismissed." *Keen v.*
23 *Omni Limousine, supra*, quoting *Intervet, Inc. v. Merial Ltd.*, 535 F.Supp.2d 112, 114-15 (D.D.C.
24 2008).
25
26

¹ Hyperion also threw in a count against Cloanto for "intentional interference with contract or business expectancy" arising from the same set of facts.

1 However, given that the claims brought by Hyperion in the Hyperion Action against the
 2 Amiga Parties” may, if that case proceeds,² involve some of the same issues that arise in the
 3 instant action, Cloanto believes that consolidation in this Court would be the proper procedural
 4 outcome.

5
 6 **II. Hyperion fails to provide sufficient cause to consolidate the instant action with the
 Hyperion Action before Judge Martinez.**

7 Hyperion and the Amiga Parties entered into a settlement agreement in 2009 (the “2009
 8 Settlement Agreement”) which, in part, settled *Amiga, Inc. v. Hyperion VOF*,³ 07-cv-00631-
 9 RSM (closed) (the “Amiga Litigation”) and *Hyperion VOF v. Amino Development Corporation*,
 10 07-cv-01761-RAJ, styled as (the “Amino Litigation”), both of which were before Judge
 11 Martinez. (The Amino Litigation was transferred to Judge Martinez, and then stayed, but not
 12 consolidated.) The 2009 Settlement Agreement also settled *Itec, LLC v. Hyperion VOF*, a case
 13 brought in the Supreme Court of the State of New York, County of New York, Index No.
 14 602246-07, and a series of opposition proceedings brought by Hyperion VOF in the Trademark
 15 Trial and Appeal Board of the United States Patent and Trademark Office against various
 16 trademark applications filed by Amiga, Inc.⁴

17 The complaint and counterclaims in the Amiga Litigation pertained to (a) alleged
 18 breaches by Hyperion of a development agreement entered into between predecessors of Amiga,
 19 Inc. and Hyperion, respectively, in 2001; (b) alleged trademark infringements by Hyperion in
 20 connection with its alleged breaches of contract; (c) the “insolvency” of an Amiga predecessor
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 22
 23
 24

25 ² As discussed further below, Cloanto has, simultaneously with this Opposition, filed a Motion to Dismiss
 the Hyperion Action.

26 ³ Hyperion VOF was succeeded by Hyperion Entertainment CVBA during the pendency of the Amiga
 litigation.

⁴ The actions settled by the 2009 Settlement Agreement are listed on p. 4, section “a” of ECF No. 7.1.

1 which allegedly invalidated transfers of intellectual property to Amiga, Inc.; and (d) the
 2 disposition of rights in Amiga operating system 4.0. These issues, however, were not litigated
 3 before Judge Martinez, except to the extent that Judge Martinez denied Amiga, Inc.'s motion for
 4 a preliminary injunction due to "the unresolved factual question" as to what the parties meant in
 5 a 2001 contract by the word "insolvent," and to disputes "regarding the payments and the
 6 completion date of OS 4.0," which matters, Judge Martinez found, could not be "resolved on the
 7 record before the Court as it now stands."

9 Following the denial of preliminary injunction, (a) Hyperion amended its counterclaims,
 10 adding Itec, LLC as a counterclaim defendant; (b) Hyperion initiated the Amino Litigation;
 11 (c) Judge Martinez dismissed Hyperion's counterclaims against Itec, LLC, for lack of personal
 12 jurisdiction; (d) Amiga, Inc. filed an Amended Complaint; and (e) Judge Martinez referred the
 13 Amiga Litigation and Amino Litigation to Magistrate J. Kelley Arnold "for the purpose of
 14 conducting a settlement conference in lieu of mediation, pursuant to Local Rule 39.1(e)." The
 15 complete dockets of the Amiga and Amino Litigations are attached hereto as Exhibits A and B,
 16 respectively.
 17

18 Thereafter, and until Judge Martinez signed the Stipulated Judgment in the Amiga
 19 Litigation (ECF No. 9-3) on December 14, 2009 (and a Stipulated Order of Dismissal with
 20 Prejudice in the Amino Litigation on the same day), it was Magistrate Judge Arnold who was
 21 involved in the oversight and negotiation of the 2009 Settlement Agreement. This is shown in the
 22 docket entries in the Amino Litigation,
 23

24 09/02/2008	22	SCHEDULING ORDER for Settlement Conference: This matter has been referred to Judge Arnold to conduct a SETTLEMENT CONFERENCE. Settlement briefs/memorandums are due in chambers on 11/13/2008 by 4:00 PM. The briefs should contain a statement of the facts, issues for trial, the law, strengths and weaknesses of the parties'
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case, each party's position after mediation held in this matter and a settlement figure. The briefs/memorandums should be delivered to Judge Arnold's chambers or submitted by fax to chambers at (253)882-3881. BRIEFS ARE TO BE CONFIDENTIAL AND NOT FILED WITH THE COURT OR SERVED ON OPPOSING COUNSEL. In addition to counsel, parties and representatives who have authority to settle are directed to be present in person. Settlement Conference set for 11/20/2008 at 09:00 AM in D Courtroom before Judge J. Kelley Arnold. by Judge J. Kelley Arnold. (AS) (Entered: 09/02/2008)

and the Amiga Litigation:

03/26/2009	144	MINUTE ENTRY for proceedings held before Judge J. Kelley Arnold - Settlement Conference continues via e-mail during month of March. (AS) (Entered: 04/30/2009)
04/06/2009	145	MINUTE ENTRY for proceedings held before Judge J. Kelley Arnold - Settlement Conference continues via e-mail and telephone conferences on 4/6/2009. (AS) (Entered: 04/30/2009)
07/20/2009	146	MINUTE ENTRY for proceedings held before Judge J. Kelley Arnold - Settlement Conference continues via e-mail on 7/13, 7/17 and 7/20/2009. (AS) (Entered: 07/22/2009)

Furthermore, the Stipulated Judgment signed by Judge Martinez dismissed only claims, counterclaim, cross claims, and third party claims (including any amendments) between Hyperion, Amiga, Inc., and Amino Development Corporation. It did not address those concerning Itec, LLC, which was not within the court's jurisdiction (but is a signatory to the 2009 Settlement Agreement). Nor did Judge Martinez retain jurisdiction over the Settlement Agreement for purpose of enforcement.

Hyperion's statement that the current case should be consolidated before Judge Martinez "[b]ecause of his oversight and knowledge about the 2007 case" thus misstates reality. First, the allegations at issue in both the instant action and the Hyperion Action do not involve the claims and counterclaims made by Hyperion and the Amiga Parties in the Amiga Litigation and Amino

1 Litigation. Those were dismissed with prejudice. Moreover, the dockets in those litigations show
2 that the judge who presided over the negotiation of the 2009 Settlement Agreement was
3 Magistrate Judge Arnold.

4 Given the absence of any serious reason to consolidate the cases before Judge Martinez,
5 Defendant's motion to consolidate should be denied.
6

7 **III. Consolidation should be denied given that the Hyperion Action is subject to**
8 **dismissal.**

9 Simultaneously with the filing of this Opposition, Cloanto has filed a Motion to Dismiss
10 the Hyperion Action on the basis that Hyperion is not duly registered on the Belgian corporate
11 register and therefore has no capacity to bring claims (including counterclaims). A copy of
12 Cloanto's Motion to Dismiss is attached hereto as Exhibit C (Civil Action No.: 2:18-cv-00381-
13 RSM, ECF Nos. 18-19)

14 Even if Cloanto's Motion to Dismiss is unsuccessful, the Hyperion Action is unlikely to
15 survive an early motion for summary judgment. The First Amended Complaint against the
16 Amiga Parties in the Hyperion Action is premised on two allegations: (a) that the Amiga Parties
17 materially breached the 2009 Settlement by failing to cause Cloanto to provide Hyperion with a
18 signed "Successor/Acquirer Agreement Form" (which appears on p. 22 of ECF No. 9-3); and
19 (b) that the Amiga Parties materially breached the 2009 Settlement Agreement by not
20 maintaining registration of the AMIGA trademark in the United States Patent and Trademark
21 Office. The first allegation can no longer support Hyperion's action: on May 10, 2018, the
22 Successor/Acquirer Agreement Form was executed by Cloanto and provided to Hyperion's
23 counsel. A copy of that agreement is attached hereto as Exhibit D. One consequence of that
24 agreement is that Hyperion's claim that Cloanto could exclude Hyperion from using the marks
25 AMIGA OS and AMIGA ONE is merely hypothetical, not "of sufficient immediacy and reality
26

1 to warrant the issuance of a declaratory judgment.” *Amazon.com, Inc. v. Nat’l Ass’n of College*
 2 *Stores, Inc.*, 826 F. Supp. 2d 1242, 1249-50 [cites omitted].

3 As for the second allegation, Hyperion cites section 7 of the 2009 Settlement Agreement
 4 which states that “The Parties agree not to, at any time, knowingly carry out any act or thing that
 5 may reduce the value of the Licensed Marks or detract from their reputation” (emphasis added),
 6 arguing that by letting the United States registration for AMIGA lapse, it reduced the value of
 7 the “Licensed Marks.” However, the Licensed Marks do not include the AMIGA mark (ECF No.
 8 9-3, 5 of 46, ¶i.), and the two marks licensed exclusively to Hyperion (ECF No. 9-3, 4 of 46,
 9 ¶g.), AMIGA ONE and AMIGA OS, were never registered. Moreover, the 2009 Settlement
 10 Agreement contains no provision requiring the Amiga Parties to register or maintain registration
 11 of any trademark anywhere in the world, let alone in the United States. The “Definitions” section
 12 of the 2009 agreement defines “Amiga Mark” as “any mark owned and/or registered or licensed
 13 by or to the Amiga Parties containing the word ‘Amiga...’” (Emphasis added.) (ECF No. 9-3, 4
 14 of 46, ¶c.)

15 Finally, under Section 2 of the 2009 Settlement Agreement (ECF No. 9-3, 8 of 46, §2),
 16 Hyperion is prohibited from instituting “any action, claim or proceeding anywhere in the world...
 17 (B) challenging ...(ii) the use and/or ownership of any Amiga Mark (other than an Exclusive
 18 Licensed Mark) by any Amiga Party or any licensee or successor to any Amiga Party (a
 19 ‘Hyperion Prohibited Action’), unless the challenged activity constitutes a material breach of this
 20 Agreement...” The fact that the AMIGA registration in the United States lapsed is not a
 21 “challenged activity” contemplated by Section 2 of the 2009 Settlement Agreement. In other
 22 words, the Hyperion Action against Cloanto and the Amiga Parties is a “Hyperion Prohibited
 23 Action” and subject to dismissal.
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 25
 26

1 **IV. Conclusion.**

2 For the reasons stated above, Hyperion's motion to consolidate the instant case with the
3 Hyperion Action before Judge Martinez should be denied. The instant action was the first-filed
4 one; Judge Martinez did not preside over matters that are at issue either in this action or the
5 Hyperion Action (and it was Magistrate Arnold who conducted settlement negotiations between
6 Hyperion and the Amiga Parties); Hyperion lacks the capacity to sue Cloanto and the Amiga
7 Parties; and Hyperion's claims against Cloanto and the Amiga Parties are prohibited by the terms
8 of the 2009 Settlement Agreement.
9

10 Dated: July 23, 2018

11 Respectfully submitted:

12 GORDON E. R. TROY, PC

13 /s/ Gordon E. R. Troy, Esq.

14 By: _____

15 GORDON E. R. TROY, PC

16 Gordon E. R. Troy. *Pro hac vice*

17 5203 Shelburne Road

18 Shelburne, VT 05482

19 (802) 881-0640 Phone

20 (646) 588-1962 Fax

21 gtroy@webtm.com E-mail

22 *Attorney for Plaintiff Cloanto Corporation*
23
24
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CERTIFICATE OF SERVICE

I hereby certify that on the 23rd day of July, 2018, I electronically filed the foregoing Opposition to Defendant's Motion to Consolidate and Exhibits with the Clerk of the Court using the CM/ECF system which will send notification of such filing to the following:

Rhett V Barney RhettB@leehayes.com

Robert J Carlson bob@leehayes.com, litigation@leehayes.com,

ShellyG@leehayes.com and soniav@leehayes.com

Sarah E Elsdon Sarah.Elsden@leehayes.com, ShellyG@leehayes.com

GORDON E. R. TROY, PC
/s/ Gordon E. R. Troy, Esq.

By: _____

GORDON E. R. TROY, PC
Gordon E. R. Troy
5203 Shelburne Road
Shelburne, VT 05482
(802) 881-0640 Phone
(646) 588-1962 Fax
gtroy@webtm.com E-mail

Attorney for Plaintiff Cloanto Corporation